

# INDUSTRY UPDATE

Biweekly Period Ending September 8, 2001

## Phoenix Metro Area

### ***Manufacturing***

Schaumburg, Ill.-based **Motorola Inc.** dropped another bombshell when it announced in early September it would **eliminate 2,000 more jobs** — all from its **Global Telecom Solutions Sector (GTSS)**, which has major operations in Arizona. The company cited lower-than-expected demand for its cellular phone-network products. **No information** was available on **how many of its 1,300 GTSS employees** at a **Chandler facility** (2501 S. Price Road) would be affected. The news comes only a few weeks after Motorola announced that it was shutting down its semiconductor operations in Mesa over the next 2½ years. And since the beginning of 2001, the electronics manufacturer has announced layoffs of 32,000 workers, or about 20 percent of its worldwide workforce.

### ***Construction***

The **southwest Valley**, which missed out on much of the building boom of the 1990s, should get a **surge of development** over the **next few years** because of its lower-cost land and easy access to Interstate 10. Among projects planned are: **Phoenix' Rio Salado Project**, which will offer hiking and cycling trails and picnic and riparian areas along the now dry Salt River; a planned **South Mountain Freeway** that will start at 61<sup>st</sup> Avenue and I-10 and head southeast around South Mountain, reconnecting with I-10; **housing developments** by a half-dozen developers, including a Brown Family Community that will start in mid-2002; and **commercial development**.

DMB Associates, Sunbelt Holdings, and Del

Webb Corp. are among several companies vying for a chance to **develop General Motors' 5,000-acre Desert Proving Ground**. The east Mesa property, which sits east of Williams Gateway Airport, will be **available for development** when the Proving Ground closes **in late 2002**. It's expected that GM's final choice, due by the end of October, will **include residential, commercial, office, and retail projects** that will take 10 to 15 years to fully develop.

### ***Trade***

**Reconditioned Systems Inc.**, which sells new and reconditioned office furniture to Valley retail stores, is starting a five-year plan to **become a national distributor**. The Tempe-based company, which has a 58,000-square-foot manufacturing facility in the east Valley, has opened a five-employee regional office in Atlanta, with plans to open regional "hubs" in New York and Chicago. No information was available on how the expansion might affect local employment.

### ***Finance, Insurance & Real Estate***

Due to continued economic and stock market weakness, **Charles Schwab Corp.** announced it would **lay off**, by the end of October, **up to 2,400 employees**, or 11 percent of its workforce. The cuts come on top of 4,500 jobs eliminated (including 600 in the Valley) by the San Francisco-based financial services company earlier this year. Currently, the top U.S. discount brokerage has about 3,000 employees in the Phoenix metro area.

### ***Government***

The **Phoenix Internet Institute**, which offers a two-year webmaster program, opened in early September with **eight part-time in-**

**structors.** But the school, which is part of the University of Arizona Extended University, **expects to employ 35 part-time teachers** as it expands over the next several years. Located at 2700 N. Central Ave., Suite 1120, Phoenix Internet Institute has three labs, with each consisting of 18 workstations. For more information on programs offered, check the school's website: [www.uaui.arizona.edu](http://www.uaui.arizona.edu).

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## **Tucson Metro Area**

### ***Manufacturing***

The expected **acquisition** of the **largest hangar at Tucson International Airport** will allow **Bombardier Aerospace** the room to **expand its operations** over the next several years. Bombardier, which makes small and mid-size corporate jets, has agreed to purchase three buildings — including a 234,000-square-foot hangar — formerly owned by Lockheed Martin, which closed its Tucson operations in 1995. The Canadian-based company is **gearing up for production** of its new eight- to 16-seat **Continental corporate jets**, which will be assembled in Wichita, Kan., then sent to Tucson for interior work, and testing of mechanical, electronic, and avionics systems. Bombardier, which employs about 2,000 in Tucson, **announced last year** that the Continental project would bring **300 new jobs** to Tucson.

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## **Balance of State**

### ***Manufacturing***

The economic slowdown has cost about **100,000 jobs** in **maquiladora plants** along the **northern Mexico border**, according to an *Associated Press* story, with an estimated **one-fifth** of those job losses occurring in the **state of Sonora**, across from Arizona. About 3,500 maquiladoras, or “twin plants,” line the northern Mexican border employing about 1.2 million workers, with the vast majority across from Texas and California (see related story in “Miscellaneous,” below). Typically, major

corporations will build a plant on the Mexican side that does more labor-intensive work, while the U.S. plant will handle more capital-intensive and high-tech production work.

### ***Transportation, Communications, and Public Utilities***

A small telecommunications company in Flagstaff has experienced **significant growth** since it started operations two years ago. **Aspen Communications**, which has grown from two to 16 employees, installs phone systems, computer networks, and high-speed Internet connections, as well as develops web sites. The company — which pays wages well above Coconino County's average of \$11 an hour — has clients all over northern Arizona and hopes to expand its business throughout the Southwest. For more information, go to its website: [www.aspentelco.com](http://www.aspentelco.com).

**Environmental and other concerns could derail or make difficult plans** for a proposed **power plant** and **expansion of a telecommunications company in rural Arizona**. A proposed **720-megawatt natural gas-fired plant near Wikieup** (about 50 miles southeast of Kingman on Highway 93) could fall prey to concerns about its effect on the Big Sandy River, the Southwestern willow flycatcher, and burial grounds of the Hualapai Indian Nation. New York-based energy company **Caithness** wants to use the plant to **supply energy for 125,000 homes** in Arizona and the West. Meanwhile, in southeast Arizona, a Tucson environmental group says the **addition of 800 jobs** (and the **potential for 400 more**) by **Aegis Communications** threatens the San Pedro River. Aegis and local economic development officials dispute claims by the Center for Biological Diversity that the telephone customer-service company is harming the quality of life of in and around Sierra Vista. The environmental group says that the Upper San Pedro River Basin cannot support the additional workers, while the head of the Sierra Vista Economic Development Foundation says most of Aegis' employees are hired locally. In addition, Barry Albrecht said the

city showed it is environmentally sensitive by turning down an opportunity to bring in plastic recycling and textile companies because of concerns over the amount of water that would be used.

### **Trade**

**Sears** became the **first major tenant** to open in **Payson's Rim Country Mall** in late August. The 75,000-square-foot shopping center on Highway 260 — which occupies a former Wal-Mart building — was initially expected to be fully open by August 1. Another major tenant, Payson Athletic Club, expects to open by early November.

### **Services**

A **carpenters strike** in mid-August **slowed work** on the \$35 million **expansion of Havasu Regional Medical Center** in Lake Havasu City. While work on the first and third floors, which will **add 30 private beds**, is on schedule for a February opening, second floor additions could be delayed. The Southwest Regional Council of Carpenters, which represents 50,000 carpenters in Southern California, Nevada, and Arizona, is striking against Standard Drywall Inc. because it doesn't have a contract. Workers in other unions are also not working, unwilling to cross picket lines.

### **Miscellaneous**

Areas of Yuma County — in particular, the cities of San Luis and Yuma — are likely to be the beneficiary of an **850-megawatt natural gas-fired power plant** under construction across the border **in San Luis Rio Colorado, Sonora, Mexico**. **Low-cost electricity** from the plant, expected to open in 2003, should **spur development** along **both sides of the border**. A **14,000-acre industrial park in San Luis Rio Colorado**, which currently has businesses in eight industries employing 12,000 workers, could eventually accommodate businesses in 500 industries, according to an article in the *Yuma Daily Sun*. Each industry is expected to invest \$15

million to \$50 million toward the industrial park's infrastructure.

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## **Statewide**

### **Finance, Insurance & Real Estate**

As part of the American Dream Commitment, **Fannie Mae** will **make available \$15 billion in affordable mortgage loans to disenfranchised Arizonans** over the **next five years**. For example, **in Tucson**, Fannie Mae is investing \$16 million to replace a public-housing project with **new apartments and 190 rental and single-family homes**. A private-sector home mortgage lender, Fannie Mae will distribute \$2 trillion in loans nationally to groups that have been unable to afford homes over the last decade — immigrants, minorities, young families. One program, the Teacher A-Plus mortgage, will allow teachers to purchase a home with as little as a \$500 down payment.

### **Services**

More and more of **Arizona's nursing homes** are **expected to go under** as part of a **national financial crisis** facing the industry. Underpayments of \$3 billion in state Medicaid payments have caused hundreds of nursing homes to close nationally in recent years — including **seven in Arizona** in the past 12 months — according to the Arizona Health Care Association (AHCA). And many of the national nursing home chains are likely to close up shop in this state as well, an AHCA official said. In the **past three years**, Arizona has **lost 1,000 nursing home beds**, or about 5 percent of its statewide total, which currently stands a little above 17,000.

### **Government**

A projected **\$250 million shortfall** for fiscal year 2001-2002 (July 1, 2000-June 30, 2002) is forcing the **state of Arizona** to cut agency budgets by 4 percent, which ultimately **could lead to layoffs**. Declining revenue from state sales and income taxes has caused most of the projected deficit. Some legislators have

suggested cutting state agency budgets by as much as 10 percent, while others are calling for revenue bonding of up to \$150 million for school construction.

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## *INDUSTRY UPDATE*

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